

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

	X	
	:	<b>Chapter 11</b>
<i>In re:</i>	:	
	:	<b>Case No. 24- 12480 (LSS)</b>
<b>FRANCHISE GROUP, INC., et al.,<sup>1</sup></b>	:	
	:	<b>Jointly Administered</b>
	:	
<b>Debtors.</b>	:	<b>Re: Docket Nos. 1100, 1121</b>

**FEE EXAMINER’S FINAL REPORT REGARDING  
FIRST INTERIM FEE APPLICATION REQUEST OF  
DELOITTE & TOUCHE LLP**

Direct Fee Review LLC (“DFR”), appointed and employed as the Fee Examiner in the above-captioned bankruptcy proceedings and acting in its capacity regarding the First Interim Fee Application Request of Deloitte & Touche LLP (the “Firm”) for compensation for services rendered and reimbursement of expenses as Independent Auditor to the Debtors for the compensation period from November 3, 2024 through December 31, 2024 (“Fee Application”)

<sup>1</sup> The Debtors in these Chapter 11 Cases, along with the last four digits of their U.S. federal tax identification numbers, to the extent applicable, are Franchise Group, Inc. (1876), Freedom VCM Holdings, LLC (1225), Freedom VCM Interco Holdings, Inc. (2436), Freedom Receivables II, LLC (4066), Freedom VCM Receivables, Inc. (0028), Freedom VCM Interco, Inc. (3661), Freedom VCM, Inc. (3091), Franchise Group New Holdco, LLC (0444), American Freight FFO, LLC (5743), Franchise Group Acquisition TM, LLC (3068), Franchise Group Intermediate Holdco, LLC (1587), Franchise Group Intermediate L, LLC (9486), Franchise Group Newco Intermediate AF, LLC (8288), American Freight Group, LLC (2066), American Freight Holdings, LLC (8271), American Freight, LLC (5940), American Freight Management Company, LLC (1215), Franchise Group Intermediate S, LLC (5408), Franchise Group Newco S, LLC (1814), American Freight Franchising, LLC (1353), Home & Appliance Outlet, LLC (n/a), American Freight Outlet Stores, LLC (9573), American Freight Franchisor, LLC (2123), Franchise Group Intermediate B, LLC (7836), Buddy’s Newco, LLC (5404), Buddy’s Franchising and Licensing LLC (9968), Franchise Group Intermediate V, LLC (5958), Franchise Group Newco V, LLC (9746), Franchise Group Intermediate BHF, LLC (8260), Franchise Group Newco BHF, LLC (4123), Valor Acquisition, LLC (3490), Vitamin Shoppe Industries LLC (3785), Vitamin Shoppe Global, LLC (1168), Vitamin Shoppe Mariner, LLC (6298), Vitamin Shoppe Procurement Services, LLC (8021), Vitamin Shoppe Franchising, LLC (8271), Vitamin Shoppe Florida, LLC (6590), Betancourt Sports Nutrition, LLC (0470), Franchise Group Intermediate PSP, LLC (5965), Franchise Group Newco PSP, LLC (2323), PSP Midco, LLC (6507), Pet Supplies “Plus”, LLC (5852), PSP Group, LLC (5944), PSP Service Newco, LLC (6414), WNW Franchising, LLC (9398), WNW Stores, LLC (n/a), PSP Stores, LLC (9049), PSP Franchising, LLC (4978), PSP Subco, LLC (6489), PSP Distribution, LLC (5242), Franchise Group Intermediate SL, LLC (2695), Franchise Group Newco SL, LLC (7697), and Educate, Inc. (5722). The Debtors’ headquarters is located at 2371 Liberty Way, Virginia Beach, Virginia 23456.

seeking approval of fees in the amount of \$452,318.50 and the reimbursement of expenses in the amount of \$1,881.88, submits its final report.

### **BACKGROUND**

1. In performance of audit procedures and in preparation of this report designed to quantify and present factual data relevant to the requested fees, disbursements and expenses contained herein, DFR reviewed the monthly fee statements and the Applications, including each of the billing and expense entries listed in the exhibits to the monthly statements, for compliance with 11 U.S.C. § 330, Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, as amended February 1, 2025 (“Local Rules”), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, issued June 11, 2013 (“Guidelines”).
2. DFR did not prepare informal memos related to monthly fee applications of the Firm. We included our questions and issues in an initial report. We have included all responses and any recommended resolutions in this final report.

### **DISCUSSION**

3. For the compensation period of November 3, 2024 through December 31, 2024 the Firm submitted monthly fee applications in the amount of \$452,318.50 as actual, reasonable and necessary fees and for expense reimbursement of \$1,881.88. These fees consist of \$407,200.00 of fees under a fixed fee arrangement and \$45,118.5 of hourly fees For the Fee Application period, no amount was disclosed as related to fee application preparation.

4. Our procedures applied to the monthly fee applications identified timekeepers with limited time charged to this estate. We questioned the necessity and value to the estate because of the minimal involvement. We requested and the Firm provided additional information related to the nature and necessity of the roles of these timekeepers. After review of this we have no recommendation for reduction in fees. Since no adjustment is required, no exhibit has been included.
5. Local Rule 2016-2(d)(iv) requires that time be recorded in increments of 1/10<sup>th</sup> of an hour. We noted that much of the time billed by the timekeepers listed in Exhibit B appears to have been recorded in units of ½ of an hour. We understand that the tasks described are usually for longer periods than this. We requested that the Firm advise us of how this impacts the amounts billed and confirm that the time charged did not exceed the time actually worked. The Firm provided additional information and explanation. After review of this we have no recommendation for reduction in fees. Since no adjustment is required, no exhibit has been included.
6. Our procedures applied to the monthly fee applications identified time entries where time has been charged as Out of Scope Services. We noted that these entries include procedures that are regular to the performance of an audit. We requested that the Firm review these entries and allocate time which adjusts the fees appropriately. The Firm provided additional analysis and detail and confirmed that the entries listed in Exhibit A should be included in the time charges for the fixed fee component. We recommend that fees be reduced by \$1,858.00.

7. Pursuant to the Guidelines, administrative or general costs incident to the operation of the applicant's office and not particularly attributable to an individual client or case are not reimbursable. We noted the entry listed in Exhibit B that seemed to reflect administrative activity that would not be charged to the estate such as procedures time keeping for invoice preparation and review. We requested that the Firm review the entry and withdraw it if related to administrative activities. The Firm confirmed that this entry should not have been classified as "Out of Scope Services". We recommend that fees be reduced by \$666.00.
8. Our review and procedures applied to the monthly fee statements and the applications, including each of the billing entries listed in the exhibits to the monthly statements did not disclose any other material issues or questions.

### **CONCLUSION**

9. Regarding the application and the fees and expenses discussed in the previous sections, DFR submits its final report for the First Interim Fee Application Request of Deloitte & Touche LLP for compensation for services rendered and reimbursement of expenses as Independent Auditor to the Debtors for the compensation period from November 3, 2024 through December 31, 2024 and we recommend the approval of the fees of \$449,794.50 (\$452,318.50 minus \$2,524.00) and reimbursement of expenses in the amount of \$1,881.88. The Firm confirmed their agreement with this recommendation.

Respectfully submitted,

**DIRECT FEE REVIEW LLC**  
**FEE EXAMINER**

By:   
W. J. Dryer

24A Trolley Square #1225  
Wilmington, DE 19806-3334  
Telephone: 415.226.9618  
[dfr.wjd@gmail.com](mailto:dfr.wjd@gmail.com)

**Exhibit A:**

Weston, Zachary	Out of Scope Services	Call with B. Vineyard (Deloitte) to discuss materiality and scoping considerations for planning.	11/11/2024	0.50	980.00	490.00
Walker, Jana	Out of Scope Services	Call with P. Lundy (Deloitte) to discuss cost of sales testing.	11/15/2024	0.20	615.00	123.00
Walker, Jana	Out of Scope Services	Meeting with P. Lundy (Deloitte) to discuss the salaries and wages analytic and the franchise revenue analytic interim workpapers.	11/11/2024	0.40	615.00	246.00
Walker, Jana	Out of Scope Services	Meeting with P. Lundy (Deloitte) to discuss work assignment on Pet Supplies Plus engagement for week of 11/11.	11/11/2024	0.20	615.00	123.00
Fitzpatrick, Emily	Out of Scope Services	Review the Vitamin Shoppe's "physical inventory count location scoping" workpaper and update numbers based on new materiality after bankruptcy.	12/5/2024	0.60	615.00	369.00
Singhal, Vasu	Out of Scope Services	Meeting (partial) with S. Bhardwaj, D. Garg, S. Lnu (partial), A. Saraogi, P. Yadav, B. Khanduja (Deloitte) to discuss the revised Franchise Group time tracker and audit status.	11/18/2024	0.60	845.00	507.00

**Exhibit B:**

Lundy, Peter	Out of Scope Services	Transpose time sheet from paper and pen shorthand tracker to excel file.	11/15/2024	0.90	740.00	666.00
--------------	-----------------------	--	------------	------	--------	--------